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The Impact of Demographic Factors on Tax Compliance Attitude and Behavior in Malaysia

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Keywords

malaysia, behavior, impact, attitude, demographic, compliance, tax, factors

Disciplines

Business

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The Impact of Demographic Factors on Tax Compliance Attitude and Behavior in Malaysia

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Abstract

This research explored the existence of differences in the impact of demographic factors on tax compliance attitude and behavior in Johor Bahru, Johor. The sample for the preliminary study is small which 92 respondents only and thus the optimum of the results is limited. The result of this investigation shows the ignorance of tax law among taxpayers in Johor Bahru, Johor may be a significant concern to the Government. Majority of the respondents agree that cash received for work dine is taxable but view bartering goods with a friend and not reporting it, though illegal, on their tax return as acceptable. The outcome of this study reveals that both male and female respondents were found to be having similar complaint attitudes. The three independent variables, which is ethnic group, academic qualification and attitude towards compliance were the only variables that shown a statistically significant ($p < 0.05$). The overall compliance attitude where measured by EVSCALE and the remaining 14 individual measurement items, however, does not signify differences among ethnic group.

Keywords: Tax, Complaint Attitude, Ethnic Group, Academic Qualification

Introduction

Taxation is one of the important elements in managing national income, especially in developed countries and has played an important role in civilized societies since their birth thousands years ago. Tax is defined as 'a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return (Lymer and Oats, 2009). However, not all payments to government are considered tax payments: for example, charges, tolls and other levies are paid to obtain a specific service and are not strictly tax payments.

The main objective of imposing certain taxes on the public is to generate revenues for the government for public expenditure (Singh, 1999; Shanmugam, 2003; Lymer and Oats, 2009). Nevertheless, there are other functions of taxes as suggested by Lymer and Oats (2009) including reducing inequalities through a policy of redistribution of income and wealth so that income gap between the rich and the poor is not as significant.

Taxes are also expected to ensure economic goals through the ability of the taxation system to influence the allocation of resources including transferring resources from the private sector to the government to finance the public investment programme, the direction of private investment into desired channels through such measures as regulation of tax rates and the granting of tax incentives. In addition, import duties could be used to protect local industries from foreign competition. This has the effect of transferring a certain amount of demand from imported goods to domestically produced goods.

Income tax is defined as a total of money collected by the government from the income of an individual or a company for the use of developing a country's economy. In Malaysia context, taxes collected by the government can be divided into two: direct taxes and indirect taxes (Kasipillai, 2003). Examples of direct taxes are individual income tax, petroleum tax, corporate tax, real property gains tax and stamp duty. While, import duty, excise duty, sales tax, service tax are example of indirect taxes.

Malaysian government's main income is tax revenue from direct and indirect taxes. In 2005, tax revenue contributed 75.81 % of the national income (MOF, 2006), while non- tax revenue contributed 24.19% of the total income. Based on the total tax revenue, direct tax has been the biggest contributor at 50.37% while the balance was made up of indirect taxes at 25.44%.

In order to investigate taxpayers' behaviors, one needs to have the knowledge about tax laws and regulations (Eriksen and Fallan, 1996). Laws that are used in Malaysia that related to taxes are the Income Tax Act 1967, Petroleum Act (Income Tax) 1967, Real Property Gains Tax Act 1976, Promotion of Investments Act 1986, Stamp Act 1949 and Labuan Offshore Business Activity Tax Act 1990.

The shift from the official assessment system (OAS) to self-assessment system (SAS) in 2004 has seen considerable changes take place in the tax system in Malaysia. Obviously, the major transformation with the new system is that the Inland Revenue Board (IRB) now functions more as a tax auditor than as a tax assessor. From the taxpayers' perspective, the change is more burdensome as the responsibility to compute and file tax returns rests solely with them (or with their tax preparers), which undoubtedly requires good knowledge of the tax system and reduced tax complexity. In short, SAS has imposed additional compliance costs to taxpayers. To facilitate taxpayers in their new role, seminars on SAS were conducted across the country and e-filing was introduced, providing options for taxpayers to file either manually or electronically.

Literature Review

Background of Taxation in Malaysia

Income tax has become the main donation of transferring privately owned resources to public use. Taxes are collected through force, not on voluntary basis in the form of money (Zulkornain, 1994). In Malaya, income tax was formally introduced in 1947 as provided in the

1947 Income Tax Ordinance (Kasipillai and Mustafa, 1998). In Sabah, the Income Tax Ordinance was introduced in 1957 while in Sarawak it was introduced in 1961 (Mustafa, 1996). Thus, Peninsular Malaysia, Sabah and Sarawak had different Income Tax Ordinances. As an effort to regulate the ordinance, the Parliament of Malaysia had in 1967 introduced the Income Tax Act 1967 (Act 53) which was enforced in the year of assessment 1968.

Self Assessment System (SAS)

The Self Assessment System (SAS) for individual taxpayers was implemented in the year of assessment 2004. The SAS for a taxpayer who has employment income is based on the concepts of *pay-as-you-earn* (PAYE), self assess, and file. While taxpayers with statutory income follow the concepts of pay, self assess, and file. Under the PAYE system, each taxpayer will have a sum of money deducted from his or her monthly salary. This deduction made by the employer will be paid to the IRB.

After receiving the Income Tax Return Form, taxpayers need to declare their income, claim for expenses, deductions, and waiver that are allowed, and calculate themselves the amount of income tax payable in the form. Taxpayers are also required to furnish relevant supporting information regarding all the claims made. The self calculation of the income tax is deemed accurate until the Income Tax Return Form is selected for verification or auditing, or the taxpayer appeals for an assessment adjustment.

Assessment Notice will not be issued as practiced before. The Income Tax Return Form submitted by the taxpayers will be recognized as an Assessment Notice which is presumed to have been presented to taxpayers on the date the taxpayers submit the Return Form to IRB. Assessment Notice will only be issued in three circumstances only (IRB, 2002b). First, when there is an excess or deduction in assessment. Second, an estimated assessment is made when a taxpayer fails to submit the Income Tax Return Form within the stipulated period. Third, in the case where a taxpayer was originally not liable for tax payment, was later taxed due to additional income declared, or due to adjustment made by the taxpayer, or IRB, an Assessment Notice will be served.

Tax Compliance and Prevention

In order to raise the rate of compliance among taxpayers, a range of prevention measures have been implemented by IRB, such as tax audit, business census and investigations (IRB, 2002). The tax audit programmed which comprises of field audit and desk audit has played a significant role under the SAS to encourage voluntary compliance among taxpayers. Field audit involves the examination of business records at the taxpayer's premise, while desk audit involves the inspections of records at the IRBM office. For example, in 2001, a total of 1,604 cases have been audited which contributed to RM51.25 million in taxes and penalties.

IRB has also focused on tax base enlargement programmed through business census activities. The main purposes of these activities are to recognize new taxpayers, gather additional information about existing taxpayers, check Scheduler Tax Deduction (STD) and Installment Payment Scheme implementation provide advice about record keeping, account preparation and tax regulations that need to be followed, and propose cases to be audited.

Enforcement programmed, through investigation and surveillance, is the most effective way to curb tax evasion activities. In 2001, there were 784 solved cases, an increase of 76 cases from

the previous year. This has resulted in the collection of taxes and penalties amounting to RM397.26 million (IRB, 2002).

Hypotheses of the Study

In order to answer the research objectives of the tax compliance attitude and behavior based on gender and ethnicity differences of taxpayer in Johor Bahru, Johor, the following hypotheses were tested:

H₁: There is relationship between attitude and behaviour with tax compliance

H₂: There is relationship between gender of taxpayers and taxpayer's compliance

H₃: There is relationship between age of taxpayers and taxpayer's compliance

H₄: There is relationship between education qualification of taxpayers and taxpayer's compliance

H₅: There is relationship between income status of taxpayers and taxpayer's compliance

H₆: There is relationship between ethnicity of taxpayers and taxpayer's compliance

Research Methodology

Introduction

This research uses exploratory research and descriptive to determine the impact of demographic factors on tax compliance attitude and behavior in Johor Bahru, Johor. Exploratory research is conducted by using survey method to explore the taxpayer's demographic background, the attitude and the behavior towards tax compliance. The descriptive research applied to provide the descriptive of variable relationship between independent variables and dependent variables in this study.

Conceptual Framework

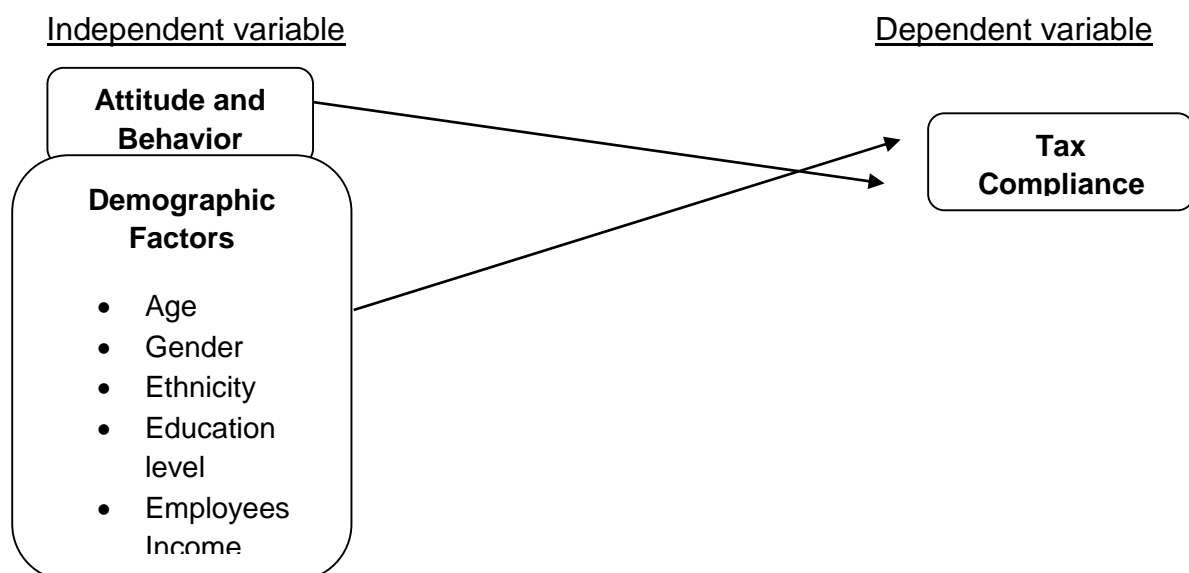


Figure 1: The Conceptual Framework

Figure 1 shows the conceptual framework of this study. This framework is divided into two divisions that is the independent and the dependent variables. The constructs from the left i.e. attitude and behavior and demographic background which constitute the independent variables are expected to have an impact on the dependent variables. While on the right side which is the dependent variable is the tax compliance which is the main issue hence it is measured to see whether the said factors affect tax compliance in the context of Johor Bahru, Johor.

Research Design

This study was done by using quantitative research. The purpose of using quantitative research is because this study is not focusing on words or observations but more focus on mathematical analysis (Zikmund, 2003). Researchers want an accurate measurement to determine the tax compliance attitude and behavior based on gender and ethnicity differences of taxpayer.

To complete this study, survey method is used to gather information from a sample of taxpayers by using questionnaires. Data collected was then used to measure the stated objectives of this study. According to Sekaran and Bougie (2010), different techniques of data collection such as personal interview, telephone, mail or Internet questionnaires will directly influence the question format and question phrasing. For this survey, internet questionnaires survey was conducted. These questionnaires method is used because it can be distributed easily, cost effective, easy to manage and the respondents can answer whenever they have the free time (Sekaran and Bougie, 2010).

Research Sample

The targeted respondents for this study are focused on the residents of Johor Bahru, Johor. They will be the best representation in this study since they involve as taxpayers and they have knowledge in paying taxes. The respondents are randomly chosen.

Sample comprises of a group of selected respondents from the population from which information needed to be obtained. Sampling is necessary in this research as the research population is quite large.

Data Gathering Procedure

In this study, primary data will be used. The primary data are collected from 300 sets of questionnaires that distributed to those are taxpayers. Besides that, in this research, personally administered questionnaires technique is used where the questionnaires is filled in by the respondents themselves (Sekaran and Bougie, 2010). All questionnaires were distributed only throughout the states of Johor Bahru, Johor and thus only residents of Johor Bahru, Johor manage to access the questionnaires. Researchers' delivers all self-administered questionnaires to respondents via the internet and the questionnaires will be saved immediately after the respondents filled in.

Analysis of Data

Primary data collected through questionnaires will be analyzed and evaluated using Statistical Package for Social Science (SPSS) version 17.0 software to get more precise analysis. The data collected will be entered into SPSS Data Editor and every variable is named, and the coded values are labelled. In this study, the methods of frequencies statistics, reliability analysis, cross tabulation tests and chi-square test are adopted in purpose to meet the stated objectives in chapter one.

Frequencies statistics is used to calculate the respondents profile such as their demographics and other factors. Through frequency statistics, other calculations such as reliability, mean and standard deviation, as well as regression analysis is done. Reliability of an analysis is established by testing for stability and consistency. By using Cronbach's alpha, a measurement that indicates how the correlations of each items and determine whether it is positively correlated or not (Sekaran and Bougie, 2010). According to Peterson (1997), the acceptance value of Cronbach's alpha can vary between 0.5 and 0.95 depending on the type of research.

Mean and standard deviation test is done to find the average response rate towards the selected variables. This is done in order to find out the relationship in other later analysis (Kamakura and Wedel, 1997). Regression analysis is a statistical tool that investigates the relationships between variables. The regression analysis test is to be conducted to determine the tax compliance attitude and behavior based on gender and ethnicity differences of taxpayer.

Findings and Discussion

In this chapter, the data and the results from the survey are interpreted by using Social Package for Social Science (SPSS) software version 17.0. Table 1 shows the Response Rate. A total number of 92 respondents participated in this questionnaire survey. Respondents' profile will become the first table to interpret for being acquired to know the demographic and background of the respondents. The gathered data will be analyzed with the reliability and validity tests for assure whether the data values are reliable and correct. Lastly, the analysis for hypothesis will be tested to ensure whether the relation is positive or negative.

Response Rate

Table 1: Response Rate

	Amount	Percentage (%)
Total questionnaires collected/ completed	92	30.67
Total incomplete questionnaires/ missing	208	69.33
Total questionnaires distributed	300	100

A total of 300 sets of questionnaires were distributed to the taxpayers. However, only 92 sets of questionnaires were successfully collected back while the remaining 208 sets were either missing or no response at all. The response rate for collected questionnaires was 30.67 % and it met the typical level of response rate 51% suggested by Hasseldine (1999).

Respondents Profile Analysis

Respondents' profile was discussed in this section. There are 92 respondents in this study. The respondents' backgrounds were provided in term of their age, ethic group, and gender, nature of employment, annual income, marital status and qualification. All the result was shown in the Table 2.

Table 2: Respondents Demographics Frequency

Characteristics	Frequency (N= 92)	%
<i>Age</i>		
Below 35	59	64.1
36-45	22	23.9
46-55	9	9.8
Above 55	2	2.2
<i>Ethnic group</i>		
Malay	65	70.6
Chinese	24	26.1
Indian	3	3.3
Others	-	-
<i>Gender</i>		
Male	48	52.2
Female	44	47.8
<i>Nature of main employment</i>		
Private sector	53	57.6
Government sector	39	42.4
<i>Annual income</i>		
Below RM 1000	1	1.1
RM 1000 – RM 1999	8	8.7
RM 2000 – RM 2999	14	15.2
RM 3000 – RM 3999	52	56.5
RM 4000 and Above	17	18.5
<i>Marital Status</i>		
Single	19	20.7
Married	73	79.3
<i>Qualification</i>		
SPM	39	42.4
STPM	21	22.8
Diploma	12	13.0
Degree	18	19.6
Masters/ PhD	2	2.2

Results from the questionnaire shows that the respondents aged below 35 is the highest which comprised of 64.1 % followed by the respondents aged between 36 to 45 which comprised of 23.9 %. This is then followed by respondents aged 46 to 55 consists of 9.8 % and lastly 2.2 % by respondents aged above 55 years old. From the data, respondents were Malay (70.6 %) followed by Chinese (26.1 %) and Indians consists of only 3.3 %.

The results show that the male respondents (52.2 %) dominating the female respondents (47.8 %). Besides that, results from the questionnaire shows that respondents' nature of main employment was in private sector which consists of 57.6 % and from the government sector was 42.4%.

A total of 56.5 % of the respondents earned between RM 3000 to RM 3999 per month, followed by 18.5 % of the respondents earned above RM 4000, 15.2 % between RM 2000 to RM 2999, 8.7 % between RM 1000 to RM 1999 and 1.1 % earned RM 1000 and below per month.

73 respondents (79.3 %) out of 92 respondents are married and 20.7 % were single. From the table above, the highest qualification level of the respondents are mostly SPM which comprised of 42.4 %. This result follows by STPM (22.85%), Degree (19.6 %), Diploma (13.0%) and Masters/PhD (2.2 %).

In addition to the demographic background, the questionnaire solicited information on prior tax information of the respondents. The results are depicted in Table 3.

Table 3: Prior Tax Information of Respondents

	Frequency (N= 90)	%
<i>Tax return preparer</i>		
Taxpayer himself	77	83.7
Assisted by friends	13	14.1
Tax professional	2	2.2
<i>Ever queried by IRB</i>		
Yes	9	9.8
No	83	90.2
<i>Frequency of cash received</i>		
None	73	78.3
1-5 times	6	6.5
6-10 times	6	6.5
Over 10 times	8	8.7

Based on the result, it was found that 83.7 % of the respondents prepared their own tax return, 14.1 % were assisted by their friend while the remaining 2.2 % were prepared by tax professionals. 90.2 % of respondents answered yes on queried by IRB while 9.8 % answered no.

In terms of frequency of cash received, only 8.7 % received cash over 10 times and 6.5 % equally received on 1 to 10 times. The vast majority of respondents (78.3 %) indicated that the IRB had never queried them.

Reliability of the Survey Instrument

The instrument of data collection was also subjected to reliability analysis. In this research, the internal consistency method was adopted for estimating reliabilities. It has advantage of being a single test administration. Cronbach's alpha was used to access the internal consistency.

Table 4: Reliability Statistics

Cronbach's Alpha	N of item
0.885	92

Table 4 shows that the Cronbach's Alpha is 0.885, which it estimated a moderate consistency value for coefficient alpha. The overall result was presented in an accurate and reliable value because the Cronbach's Alpha value produces a value that is more than 0.500.

In the survey instrument, the range of possible scores of from minimum of one (suggesting an extremely high threshold to evasion behavior, that is, very non-compliant attitude) to a maximum of seven (suggesting a very low threshold to evasion behavior, that is, an extremely high compliant attitude).

Table 5 shows that the mean score for noncompliant attitude (EVSCALE) was 4.62 out of 7.00 and this signifying that Malaysian taxpayers are moderately tax-compliant.

Table 5: Mean Score for Non-compliance Attitude

Question asked	Mean	SD
NON-COMPLIANCE ATTITUDE [EVSCALE]*	4.62	1.14
1. If one is paid in cash or a job and then not reporting it in the tax return: [PAIDCASH]	5.25	1.75
2. Under the Self- Assessment System, a tax return by taxpayer will be accepted as notice of assessment. Consequently, it is not wrong to omit or understate your taxable income: [STD]	5.05	1.75
3. The probability of being audited is so low that it is worthwhile to understate a little on your taxable income: [SAS]	4.94	1.63
4. It is all right to occasionally understate certain income or claim a disallowable expense if you are generally a law-abiding individual: [PARTTIME]	4.83	1.75
5. Failing to declare some earnings from investments or commissions that the Inland Revenue Board would not be able to find out is: [INVINCOME]	4.81	1.75
6. Income tax rates are just too high, so it is not really cheating when you interpret the rules a little to find ways to pay less than you are supposed to: [TAXUDIT]	4.81	1.83
7. When you know you deserve a deduction that you are not entitled for, it makes sense to replace it with some other deduction which IRB would not easily trace: [LOYAL]	4.78	1.78
8. Declaring your principle income fully, but intentionally not including part-time income is: [DESERVE]	4.72	1.79
9. It is not so wrong to understate some income since it does not really hurt anyone: [HIGHTAX]	4.72	1.83
10. Under the Scheduler Monthly Tax Deduction Scheme, income tax is deducted monthly by the employer, hence, it is okay not to declare and pay anymore income tax: [NOHURT]	4.69	2.05
11. It is not so wrong to declare less on taxable income since the government spends too much on extravagant projects: [GOVSPEND]	4.55	2.02
12. As several businessman pay no income taxes at all, if someone like you understates a little, it is not a big deal: [BUSINESSMEN]	4.49	2.00
13. With the cost of goods and services these days, it is okay to claim more expense to help make ends meet: [ENDSMEET]	4.18	1.88
14. Bartering goods with a friend and not reporting it on your tax return is: [CLAIM]	3.74	2.02

15. When you are not really sure whether or not an expense is allowable, it makes sense to claim the deduction anyway:
[BARTER]

3.69

1.80

(n= 92) * Measured by the 15 individual items

Nevertheless, the t-test does not reveal any significant differences between males and females either for EVSCALE as well as for other individual items. This particular result tells that male and females are found to be having similar compliance attitudes. One of the reasons could be due to a similar attitude and perception by both gender groups towards the tax system.

Table 6: Gender Differences for Non- compliance Attitudes

Codenamed	Males		Females	
	Mean	SD	Mean	SD
PAIDCASH	5.94	1.30	5.42	1.38
PARTTIME	5.24	1.89	5.17	1.61
INVINCOME	5.06	1.82	5.12	1.36
NOHURT	5.00	1.50	4.88	1.83
BUSSINESSMEN	4.59	1.62	4.71	1.60
STD	4.88	1.90	5.42	1.84
SAS	5.24	1.48	5.29	1.43
BARTER	3.35	1.84	3.46	1.84
CLAIM	3.71	1.65	4.04	1.52
GOVSPEND	4.94	1.82	4.50	1.84
TAXAUDIT	5.24	1.15	4.92	1.44
HIGHTAX	5.06	1.75	5.00	1.77
ENDSMEET	3.76	1.68	4.42	1.84
DESERVE	4.53	1.77	5.42	1.21
LOYAL	5.24	1.25	4.92	1.61
EVSCALE	4.78	0.87	4.84	1.05

Table 6 demonstrates the means for the EVSCALE and 15 individual attitude items. Table 7 show a mean comparison which reveals that Malays (4.99) are more compliant than Chinese (4.68) and Indian (4.43). However, a one- way ANOVA does not indicate any significant differences between ethnic groups towards non- compliance attitude.

In terms of individual items, a one-way ANOVA reveals that significant differences exist only for item PAIDCASH ($p=0.03$) in which Malays are found to be more compliant attitudes in respect of reporting cash receipts when compared to Chinese and Indians. The findings of the compliance attitudes are not surprising as a majority of Malays are Government employees receiving fixed wages.

Table 7: Ethnicity Differences for Non-compliance Attitudes

Codenamed	Malay		Indian		Chinese	
	Mean	SD	Mean	SD	Mean	SD
PAIDCASH	6.15	0.97	4.89	1.69	4.50	1.22
PARTTIME	5.38	1.79	4.78	1.79	5.00	1.26
INVINCOME	5.27	1.64	4.67	1.50	5.00	1.26
NOHURT	5.27	1.78	4.22	1.72	4.50	0.55
BUSSINESSMEN	4.96	1.64	3.67	1.41	4.83	1.17
STD	5.27	1.97	5.11	2.15	5.00	0.89
SAS	5.27	1.51	5.11	1.45	5.50	1.22
BARTER	3.73	1.76	2.89	2.03	2.83	1.72
CLAIM	4.08	1.60	3.89	1.05	3.17	2.04
GOVSPEND	5.12	1.77	3.67	1.87	4.33	1.51
TAX AUDIT	5.27	1.31	4.67	1.22	4.67	1.51
HIGH TAX	5.08	1.76	4.89	1.54	5.00	2.19
ENDSMEET	3.85	1.78	4.22	1.99	5.33	1.03
DESERVE	4.88	1.56	5.33	1.22	5.33	1.86
LOYAL	5.23	1.39	4.44	1.81	5.17	1.17
EVSCALE	4.99	0.98	4.43	1.07	4.68	0.68

The result in Table 8 highlights the mean score for each non-compliant behavior items. For self reported evasion behavior, the questions queried as to whether non-compliance behavior had occurred in the last three years with higher mean scores indicating more compliant behavior. Overall, the prior reporting means score reveal the respondents, generally, have a positive compliance behavior (with lowest mean of 5.32). Contrastingly, for hypothetical evasion mean score is 3.41 show compliant behavior. Responses in reporting receipts of part-time cash income and claiming extra deduction, which are illegal. Indicate a neutral stand (mean score of 7.00). Both the t-test and one-way ANOVA do not reveal any significance differences between gender and ethnic groups.

Table 8: Non-compliance Behavior

	Mean	SD
Self Reported Evasion Behavior		
Understate Income Knowingly	5.63	1.85
Overstate Income Knowingly	5.90	1.46
Overstate Deduction	5.83	1.48
Understate Deduction	5.32	1.86
Hypothetical Evasion Behavior Include Extra Part Time		
Income Claim	3.41	2.01
Disallowable Expenses	3.73	2.04

Pearson Product Moment of Correlation Test**Table 9: Correlation matrix table for the relationship between demographic factors and tax compliance**

		Age	Gender	Qualification	Income	Experience	Tax compliance
Age	Pearson Correlation	1	-2.58(**)	-0.096	0.511(**)	0.278(**)	-0.151
	Sig. (2-tailed)		0.002	0.257	0.000	0.000	0.063
	N		92	92	92	92	92
Gender	Pearson Correlation		1	0.188(*)	-0.125	0.117	0.225(**)
	Sig. (2-tailed)			0.020	0.123	0.143	0.006
	N			92	92	92	92
Qualification	Pearson Correlation			1	-0.100	0.095	0.123
	Sig. (2-tailed)				0.223	0.243	0.127
	N				92	92	92
Income	Pearson Correlation				1	0.389(***)	-0.45
	Sig. (2-tailed)					0.000	0.587
	N					92	92
Ethnicity	Pearson Correlation					1	0.152
	Sig. (2-tailed)						0.065
	N						92
Tax Compliance	Pearson Correlation						1
	Sig. (2-tailed)						
	N						

**Correlation is significant at the 0.01 level (2-tailed)

Correlation between the variables of the independent variables and the dependent variables were one of the methods considered in this study. The correlation in any study is used to measure the relationship between two variables. Correlation analysis was conducted to investigate the relationship associations between the independent and dependent variables. The level of strength of relationship whether small, medium and large which is to be determined

based on the value of Pearson correlation (r), Cohen (1988). Correlation matrix is drawn to analyze the relationship between five dimension of demographic background of the taxpayers (independent variables) and the tax compliance (dependent variables).

Table 9 shows the results of Correlation matrix. Demographic factors gender, age, qualification/education, income, and working experience were correlated with tax compliance. Based on the result, age is significant at ($p < 0.01$ with $r = -0.151$) and is negatively correlated. Gender is significant at ($p < 0.01$ with $r = 0.225$) and is positively correlated. Qualification is significant at ($p < 0.01$ with $r = 0.123$) and is positively correlated. Income is significant at ($p < 0.01$ with $r = -0.45$) and is negatively correlated and ethnicity is significant at ($p < 0.01$ with $r = 0.152$) which is positively correlated. It can be illustrated that only gender was found to be significant correlated with ($r = 0.223$ at $p < 0.01$). However, previous study by Richadson (2006) identified that age and gender were significantly correlated.

From the outcome, it shows that a positive correlation means that relatively high scores on one variable and low score are paired with relatively high scores on the other variable, and low scores are paired with relatively low scores. On the other hand, a negative correlation shows that relatively high scores on one variable are paired with relatively low scores on the other variable. Although, the dimension could not be identified similar to the studies done in other country, but the demographic factors could still be measured using the same dimension. The value of coefficient r for the dimension is considered in the small range however it showed that the entire 5 dimension has influenced taxpayers' attitude towards compliance based on the information from the respondent in Johor Bahru.

Conclusion

This research explored the existence of differences in the impact of demographic factors on tax compliance attitude and behavior in Johor Bahru, Johor. The survey instrument was adapted from Hesseldine (1999) but few adjustments were made to suit the local environment. The sample for the preliminary study is small which 92 respondents only and thus the optimum of the results is limited. The demographic variable indicates that the sample was quite varied in terms of age, ethnic composition, gender, annual income and tax background factors but it is acknowledged that the study's external diversity is limited.

The result of this investigation also shows the ignorance of tax law among taxpayers in Johor Bahru, Johor may be a significant concern to the Government. Majority of the respondents agree that cash received for work done is taxable where the high mean of 5.63 out of 7.00 but view bartering goods with a friend and not reporting it, though illegal, on their tax return as acceptable where the mean is low which is 3.41 out of 7.00.

The outcome of this study reveals that both male and female respondents were found to be having similar complaint attitudes. Although the results were not as expected, it was not surprising as a study by Jackson & Milliron (1986) shows that mixed results on gender as a predictor compliance. The only regression model that was found to be significant was in relation to income reporting behavior. The three independent variables, which is ethnic group, academic qualification and attitude towards compliance were the only variables that shown a statistically significant ($p < 0.05$). The findings suggest that Malays are more complaint than Chinese and Indians in respect of cash income only. The overall compliance attitude where

measured by EVSCALE and the remaining 14 individual measurement items, however, does not signify differences among ethnic group.

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